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FISCAL IMPACT STATEMENT

LS 7020

BILL NUMBER: HB 1301

NOTE PREPARED: Jan 14, 2006

BILL AMENDED:

SUBJECT: Marion County Government Consolidation.

FIRST AUTHOR: Rep. Mahern

BILL STATUS: As Introduced

FIRST SPONSOR:

FUNDS AFFECTED: **GENERAL**
DEDICATED
FEDERAL

IMPACT: Local

Summary of Legislation: This bill has the following provisions:

Marion County Consolidations: In Marion County, the bill:

- (1) reduces the term of office for a township assessor elected in the 2006 general election from four years to two years;
- (2) beginning January 1, 2008, eliminates the Office of Township Assessor;
- (3) provides that the city controller administers the Dog Tax and Dog Fund and the county assessor assumes other township assessor duties and responsibilities;
- (4) adjusts the membership of the County Property Tax Assessment Board of Appeals; and
- (5) provides that ordinances and resolutions concerning budgets and appropriations for judicial officers and certain county officers are subject to veto (current law exempts those ordinances and resolutions from veto).

Airport Authority Law Enforcement Consolidation: The bill permits the consolidated city to adopt an ordinance to merge the Airport Authority's law enforcement services into the consolidated law enforcement department of the consolidated city (current law requires the Airport Authority to adopt a substantially similar ordinance).

Fire Department Consolidation: It consolidates township fire departments, fire protection territories, and the Airport Authority Fire Department into the fire department of the consolidated city. It also creates a Consolidated Fire Department Advisory Commission to advise the chief of the consolidated department regarding department operations. It provides that the employees of the fire departments being consolidated

become employees of the consolidated fire department. It provides that the property, equipment, records, rights, contracts (including labor contracts), and indebtedness related to fire protection services of the fire departments being consolidated are transferred to or assumed by the consolidated city. It establishes the process by which the fire department of an excluded city can be consolidated into the fire department of a consolidated city. It provides that the consolidated fire department shall provide emergency ambulance services in the county.

Property Tax for Fire Departments and Districts: It exempts from the ad valorem property tax limits amounts imposed by a consolidated city to fund indebtedness assumed, defeased, paid, or refunded in connection with the consolidation of certain fire departments into the fire department of a consolidated city. The bill establishes the annual maximum increase in the permissible ad valorem property tax levy for a consolidated city related to the fire special service district. It adjusts the maximum ad valorem property tax levy of a consolidated city for 2007 to account for the consolidation of certain fire departments into the fire department of the consolidated city.

Pension for Fire Department Consolidation: It authorizes the fire special services district to levy a tax to pay the amounts required to satisfy the 1937 firefighters' pension fund obligations. It provides that a firefighter who is a member of the 1937 or 1977 fund remains a member of the same fund after the consolidation. It provides that a firefighter whose services for an entity are consolidated into the metropolitan law enforcement agency or the fire department of a consolidated city becomes a member of the 1977 fund.

Issuance of Debt: It authorizes a consolidated city to issue obligations to refund obligations issued by the fire departments being consolidated into the fire department of the consolidated city.

Conformance: It makes conforming changes.

Legislative Findings: It makes legislative findings concerning the need for government consolidation in Marion County.

Repeal: It repeals a provision requiring the special service district to pay for the care of a firefighter or police officer who is injured or contracts an illness while in the performance of the firefighter or police officer's duties.

Effective Date: Upon passage; ; July 1, 2006; January 1, 2007.

Explanation of State Expenditures: *All Provisions Regarding Property Tax:* Assuming that taxing units will levy up to their maximum levy authority, the overall total of the affected entities' maximum levies and levies would not change as a result of this proposal. Therefore, state expenses for PTRC and homestead credits would be unaffected by this bill.

Explanation of State Revenues:

Explanation of Local Expenditures: *Marion County Consolidations: Township Assessors* - All of the township assessor's responsibilities for administering the Dog Tax and the Dog Fund transfer from the township trustee to the city controller. The city controller will experience an increase in administrative duties as a result.

Also, in a county with a consolidated city, the county assessor will have the same duties and responsibilities as a township assessor in a county without a consolidated city. Included in these duties and responsibilities are

the functions of an assessing official and other duties of an assessing official prescribed by statute in each township and in IC 6-1.1 concerning property tax. The county assessor will experience an increase in administrative duties as a result.

A township assessor in a county with a consolidated city is elected to a two-year term in 2006, instead of a four-year term. There is no township assessor in a county having a consolidated city beginning in 2008, with the township assessor duties transferring to the county assessor beginning January 1, 2007. Also, certain compensation for township officials would not apply in a county having a consolidated city after January 1, 2007. These changes may reduce expenses for local elections and reimbursements, but may increase costs during 2007 as the county assessor assumes the duties of the township assessors who are still in office.

Background on Township Assessors - In Marion County, the township assessors are currently responsible for all assessment functions in their respective townships. The township assessors in Marion County have several related duties that, in other counties, are the responsibility of the county assessor. Under this proposal, assessing duties are ceded to the county assessor. The controller of the consolidated city or the controller's designee would license and tax dogs and kennels. Most, if not all, of the cost for township assessor services are already paid from the county general fund or the county reassessment fund under current law. CY 2005 appropriations for township assessors were \$5.3 M from the county general fund and \$3.3 M from the county reassessment fund, for a total of \$8.6 M.

Assignment of Debt: The bill would assign all township fire-related debt to the consolidated city. In addition, the consolidated city would assume any fire services-related debt held by the airport fire department and by an excluded city fire department that joins the consolidation. Under the bill, the City may not assume any amount of debt that would cause the consolidated city's total debt to exceed the current 2% debt limit, which equals 2% of 1/3 of the consolidated city's assessed valuation. The 2005 total township fire-related debt levy was \$8.7 M. The only fire debt levy identified for an excluded city was \$577,000 in Lawrence Township.

Fire Department Consolidation: After December 31, 2006, a consolidated fire department is established in a county having a consolidated city, and will provide services to the entire county except in Beech Grove, Lawrence, and Speedway, unless those excluded cities voluntarily join the consolidated fire department. The fire department of the consolidated city assumes or receives the personnel, agreements with labor organizations, indebtedness related to fire protection services, and merit board duties. However, the consolidated city may not assume indebtedness that will exceed the limitations on the amount of indebtedness that the consolidated city may incur. The consolidated city assumes the powers, duties, agreements, and liabilities of bonds or other indebtedness.

Interlocal Agreements: The bill allows the consolidated fire department to provide fire protection services to an excluded city or a fire protection territory for which an excluded city provides fire protection through an interlocal agreement if the legislative body of the excluded city and the city-county legislative body adopt substantially similar ordinances. The ordinances must specify the effective date of the consolidation and the conditions of consolidation.

Pension - After a consolidation, members of the 1937 Fund remain members of the 1937 Fund and members of the 1977 Fund remain members of the 1977 Fund. This should result in no fiscal impact.

Advisory Commission - The Advisory Commission established under the bill includes the executive of each township in the county, three members appointed by the director of public safety for the consolidated

city, three members appointed by the legislative body of the consolidated city, three members appointed by the local labor union representing firefighters, and the chief of the consolidated fire department. Members of the Advisory Commission serve a four-year term. They provide advice and make recommendations concerning the operation of the consolidated fire department. The members are not entitled to additional salary for their service. The Advisory Commission may use the staff and budget of the consolidated fire department to fulfill its responsibilities.

Township Fire Levy and Budget Information: The eight suburban townships of Marion County had the following certified budgets, levies, and rates in CY 2005 with respect to fire-related funds.

CY 2005 Township Fire Budgets & Levies									
	Fire			Cumulative Fire			Fire Debt		
Township	Budget	Levy	Rate	Budget	Levy	Rate	Budget	Levy	Rate
Decatur	2,215,006	1,915,268	0.1894	150,150	251,796	0.0249	2,246,126	2,128,637	0.2105
Franklin	4,158,110	2,924,170	0.1610	400,000	355,986	0.0196	777,364	1,073,407	0.0591
Lawrence	9,490,570	7,225,589	0.2051	1,215,000	782,097	0.0222	0	0	0.0000
Perry	9,367,977	6,387,918	0.1975	2,214,682	695,394	0.0215	0	0	0.0000
Pike	9,186,091	9,660,391	0.2022	1,265,050	1,304,296	0.0273	0	0	0.0000
Warren	10,997,613	6,139,748	0.2059	700,000	751,441	0.0252	740,737	718,640	0.0241
Washington	14,478,863	8,853,597	0.1671	1,752,911	1,117,959	0.0211	0	0	0.0000
Wayne	14,121,364	15,344,659	0.4776	1,400,746	864,262	0.0269	5,174,414	4,816,090	0.1499
TOTAL	74,015,594	58,451,340		9,098,539	6,123,231		8,938,641	8,736,774	

	Fire Pension			TOTAL		
Township	Budget	Levy	Rate	Budget	Levy	Rate
Decatur	0	0	0.0000	4,611,282	4,295,701	0.4248
Franklin	0	0	0.0000	5,335,474	4,353,563	0.2397
Lawrence	0	0	0.0000	10,705,570	8,007,686	0.2273
Perry	469,811	168,188	0.0052	12,052,470	7,251,500	0.2242
Pike	0	0	0.0000	10,451,141	10,964,687	0.2295
Warren	328,776	0	0.0000	12,767,126	7,609,829	0.2552
Washington	1,104,188	407,975	0.0077	17,335,962	10,379,531	0.1959
Wayne	0	0	0.0000	20,696,524	21,025,011	0.6544
TOTAL	1,902,775	576,163		93,955,549	73,887,508	

Note: The budgets listed in the above tables include certified plus additional appropriations where

applicable.

Background - Fire Service Information: There are approximately 36 fire stations (including the Indianapolis International Airport station) in the eight suburban townships of Marion County. There are 8 additional stations in the three excluded cities that have fire departments.

Advisory Commission - The membership of the Advisory Commission established under the bill includes the executive of each township in the county, three members appointed by the director of public safety for the consolidated city, three members appointed by the legislative body of the consolidated city, three members appointed by the local labor union representing firefighters, and the chief of the consolidated fire department. Members of the Advisory Commission established to provide advice and make recommendations concerning the operation of the consolidated fire department serve a four-year term. The members are not entitled to additional salary for their service. The Advisory Commission may use the staff and budget of the consolidated fire department to fulfill its responsibilities.

Explanation of Local Revenues: *Property Tax Levies in General:* This bill would cause fire-related levies and obligations to be transferred from several taxing units in the county to the consolidated city taxing unit. Each of these tax levies is moving from a smaller, more localized tax base to a broader tax base. Except for certain fire pensions, the fire tax rate would be the same for all taxpayers in the consolidated fire district.

Fire Service District Maximum Levies: The consolidated city's maximum permissible levy would be increased by the unused portion of the current fire special service district maximum levies each year. The increase would be limited to 10% of the fire special service district maximum levy. It would appear that the fire special service maximum levy could, over a period of several years, be migrated over to the consolidated city if local authorities wish to do so.

In CY 2005, the maximum levy for the fire special service district was \$36.7 M. The CY 2005 maximum levy is lower than the 2004 amount (\$38.9 M) because not all of the 2004 levy authority was used. The 2006 maximum levy is still lower at \$35.9 M. Assuming no growth, the greatest amount that may be transferred each year from the fire district maximum levy to the consolidated city's maximum levy is estimated at \$3.6 M.

Under current law, any levy authority that is not used in a year is lost. This provision allows the consolidated city to capture all unused levy authority in the fire special districts, including both intended migration amounts and the amount, if any, that would have been lost under current law due to a local decision to levy an amount that is less than the maximum.

The bill also requires the special fire district rather than the consolidated city to impose the required levy to meet pension obligations for the 1937 fire pension fund.

Township and Other Fire Department Maximum Levies: The bill would increase the consolidated city's maximum levy by the amount of the fire fund maximum levy of each entity that joins the consolidated fire department. The bill requires the maximum levy of the joining entities to be reduced by the same amount.

Cumulative Fire Building Fund Levies: The bill would establish a cumulative fire building fund in the consolidated city. Cash balances remaining in the joining entities' fire cumulative funds on the consolidation date would be transferred to the consolidated city's cumulative fire fund.

Assessor Duties: For taxes paid in 2007, this bill would increase Marion County's maximum levy by the amount levied by the townships for assessor and related services. Most, if not all, township assessor services are currently paid from the county general fund or the county reassessment fund. There would be little or no increase in the county's maximum levy under this provision.

COIT Revenue: The bill would redirect the 66% of the eight outer townships' shares of revenue from the County Option Income Tax (COIT) to Indianapolis and Marion County. Center Township would not be affected. Sixty-six percent of the 2005 COIT revenue distributed to the eight outer townships totals \$4.7 M.

State Agencies Affected: Department of Local Government Finance.

Local Agencies Affected: Marion County; City of Indianapolis; Townships in Marion County; Cities of Indianapolis, Beech Grove, and Lawrence; Town of Speedway.

Information Sources: Local Government Database; 2005 Marion County Budget.

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